

# Leave liabilities - Accrual or Provision?

October 2024

Short-term leave liabilities are classified as employee benefits under IAS 19 and are accounted for accordingly.

Leave liabilities can be categorized as long-term employee benefits when the leave entitlement is not expected to be settled within the next 12 months. This situation usually arises with benefits like long service leave, where employees accumulate leave over several years and are unlikely to take it in the short term.

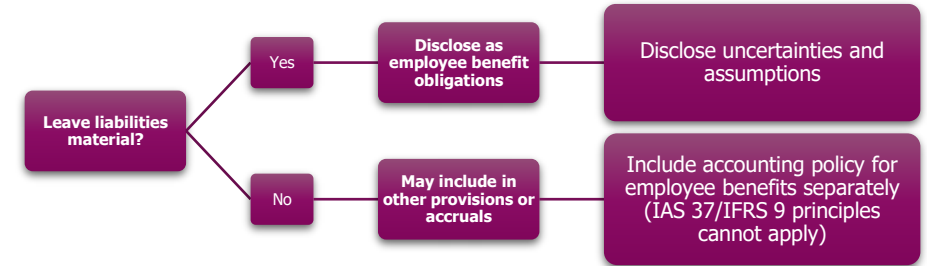
IAS 19 does not specify disclosure requirements for short-term employee benefits; therefore, traditionally, these have been reported as provisions or accruals within other payables. However, IAS 19 outlines specific disclosure requirements for long-term employee benefits.

**IAS 37 excludes employee benefits from its scope; therefore, the classification and measurement of liabilities as accruals and provisions do not pertain to leave liabilities.**

The distinction between provisions and accruals does not apply to employee benefits, as their classification, recognition, and measurement are governed by IAS 19. Since IAS 19 does not specify disclosure requirements for short-term employee benefits, an entity can create its own accounting policies for this matter, in accordance with other IFRS Accounting Standards. IAS 1 offers general guidance on disclosures, stating that material items should be presented separately, and that entities should group items together based on their nature and function.

Therefore, when it is considered material, all employee benefits will be grouped together. Any key assumptions made will also be disclosed. This transparency guarantees that anyone reading the financial statements understands the basis and potential variability of these liabilities, regardless of the terminology used.

In this context, it is important to note that when IAS 1 refers to 'employee benefit provisions' when describing the disaggregation of items [IAS 1.78(d)], it simply means that the leave provisions will have to be disclosed separately from other provisions.



Disclosure example:

| BALANCE SHEET                      |    | 2024          | 2023         | 2022  |
|------------------------------------|----|---------------|--------------|-------|
|                                    |    | R'000         | R'000        | R'000 |
| <b>Non-current liabilities</b>     |    |               |              |       |
| Employee benefits                  | 15 | 10 124        | 7 322        | 6 048 |
| <b>Current liabilities</b>         |    |               |              |       |
| Employee benefits                  |    | 1 035         | 705          | 660   |
| <b>NOTES for the year ended...</b> |    | <b>2024</b>   | <b>2023</b>  |       |
| 15 <b>Employee benefits</b>        |    | <b>R'000</b>  | <b>R'000</b> |       |
| <b>Liabilities</b>                 |    |               |              |       |
| <i>Non-current</i>                 |    |               |              |       |
| Leave                              |    | 3 330         | 3 405        |       |
| ...                                |    |               |              |       |
|                                    |    | <b>10 124</b> | <b>7 322</b> |       |
| <i>Current</i>                     |    |               |              |       |
| Leave                              |    | 1 035         | 705          |       |
| <i>Total Liabilities</i>           |    | <b>11 159</b> | <b>8 027</b> |       |